

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** January 4, 2012  
**POSITION:** Neutral

**BILL NUMBER:** AB 1054  
**AUTHOR:** N. Skinner  
**RELATED BILLS:** AB 368 (2009)

### **BILL SUMMARY:** Public Lands: Oil and Gas Leases

Existing law requires a lease for the extraction of oil, gas, or mineral resources on state lands from the State Lands Commission (Commission).

This bill would require a lessee of state land that has filed a quitclaim or relinquishment to continue to pay rent to the state and maintain insurance and bonding until the Commission provides approval releasing the lessee from all of its obligations.

### **FISCAL SUMMARY**

The Commission indicates this bill would likely result in minor increased revenues to both the General Fund and the Teachers' Retirement Fund. The amount of such revenue amount would depend on the terms of new leases, and when they may be terminated, which cannot be predicted. In addition, most leases would be on school lands, so the revenue to the General Fund would be minimal.

### **COMMENTS**

The Department of Finance has no policy or fiscal concerns with this measure. The bill would decrease risk to the state by requiring lessees to maintain insurance and bonding requirements until the Commission formally accepts the quitclaim and would also require lessees to continue to pay rent until that process is complete.

Existing law requires a lease for the extraction of oil, gas, or mineral resources on state lands from the Commission. The lessee is authorized at any time to file a quitclaim deed or relinquishment of all rights under a lease or any portion of a lease comprising of a 10-acre parcel. The quitclaim or relinquishment is effective as of the date of its filing, which releases the lessee from the obligation to pay rent to the state. This provision precludes the state from receiving revenue from the lands until the reclamation is complete. The state is also put at risk of liability for personal injuries and property damage because the lessee is not obligated to maintain insurance and bonding.

This bill would delay the effective date of a quitclaim deed until the lessee has restored the lease premises and the Commission formally accepts the quitclaim. This would allow the state to continue to receive rent before and during the reclamation process, which will bring in additional revenue to the state. The lessee would be required to maintain insurance and bonding requirements, which would provide protection to the state during the reclamation process. Upon completion of abandonment or reclamation, a lessee's request for quitclaim or relinquishment would be heard at the next regularly scheduled commission meeting, thereby avoiding any delays in releasing a lessee from its obligations under the lease.

Analyst/Principal (0621) J. McGuinn	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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**BILL NUMBER**

AB 1054

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
3560/Lands Comm	SO	No		----- No Fiscal Impact -----					0001
1522/Rent St Prop	RV	No		----- Minor Revenue Increase -----					0001
1522/Rent St Prop	RV	No		----- Minor Revenue Increase-----					0835
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
0835	Teachers' Retirement Fund								